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SUBJECT: LATVIAN TRUCKERS PAY RUSSIAN CUSTOMS TO END DISPUTE

11. A brief flare-up of tensions between Russian customs authorities and Latvian truckers appears to be headed for a resolution. The Latvian Truckers Association has agreed to pay damages for alleged evasion of customs payments when entering Russia. Association representatives say the Russians subjected Latvian trucks to lengthy checks at border crossings, causing days-long lines for Latvian trucks trying to cross into Russia. Latvian customs officials expect Russia to end the increased scrutiny of Latvian truckers on January 11, when their payment of approximately 500,000 USD clears.

12. On December 8, the Russian Federal Customs Service announced additional customs control measures against Latvian truckers. According to press reports, they claimed that Latvian trucks were failing to report at customs checkpoints once they were in Russia, in order to avoid paying customs fees. Russia claims resulting losses of approximately 1.5 million USD. The Latvian Truckers Association reported that the additional inspections - for example, individually calling the declared destination for shipped goods to confirm orders - had created significant delays for entry into Russia. The GOL claimed it had revoked licenses of offenders and MFA requested an end to the tightened controls on December 16. At its peak on December 23, the truck lines reached 1160 trucks and the expected waiting time for crossing the border was 105 hours. The lines have dissipated due to the drop of transport flow after the holiday season. However, Latvian customs noted that there are similar outstanding claims by Russian customs that could cause a repeat situation during the course of 2010 if not corrected.

13. According to the Latvian Truckers Association, on December 29 it transferred approximately 500,000 USD to Russia to cover the losses created by Latvian truckers and is currently expecting reaction from the Russian side. However, Russian official institutions are on holidays until January 11, so there will be no change before then. According to the Association, the delays have caused losses of almost 4 million USD, and loss of long-term customers due to missed deliveries. Although the Association sees this action by the Russian side as "obvious blackmail," they feel that from a business perspective they had little choice but to pay.

ROGERS